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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 005454

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SUBJECT: (U) IRAQ: KUWAIT WANTS TO INCREASE "HUMANITARIAN FUEL" DELIVERIES TO IRAQ, NEEDS DETAILS ON QUANTITIES

Classified By: Charge d'Affaires Frank C. Urbancic, Reasons 1.4 (b) and (d)

1. (C) SUMMARY. Officials from Altanmia, the Kuwaiti consortium transporting humanitarian fuel to Iraq under contract to KBR, have told CPA and KBR representatives that they are willing and able to deliver more fuel to Iraq, and that the GOK considers this a high priority. Increases in most fuel types can be made immediately up to 4 million liters/day of gasoline and 9 million liters/day total, including diesel and kerosene. Further increases can be made following some technical modifications, all of which would be paid for by Altanmia but would be economical only if demand stays high in the medium term. However, the Kuwaitis need a clear idea of what quantities and types of fuel Iraq requires, and for how long. CPA/KBR did not have specific figures for the Kuwaitis as of December 1, although KBR representative Stoney Cox said that he would obtain them by December 5. CPA Senior Advisor to the Oil Minister Rob McKee stressed the urgency of this operation, with only 2-6 days' worth of stocks in Iraq and winter approaching. It is apparent that the GOK has told Altanmia to do whatever is necessary to avoid a hydrocarbon shortage in Iraq. Altanmia is awaiting instructions from the US on what fuels are needed and at what volume. If hydrocarbons are needed in Iraq, the GOK is ready to meet the requirement, but somebody has to ask them. END SUMMARY.

2. (C) On December 1, CPA's Senior Adviser to the Oil Minister Rob McKee and Kellogg Brown and Root's (KBR) Stoney Cox met in Kuwait with representatives of Altanmia, the Kuwaiti company responsible for transporting humanitarian fuels to Iraq; A/DCM and EconOff (notetaker) sat in. The meeting followed an earlier visit by McKee and two other CPA officials, who met with Altanmia, GOK officials and the head of Kuwait Petroleum Corporation (KPC) on November 24. At both meetings, the participants discussed Kuwait's provision of humanitarian fuel aid to Iraq and difficulties that have prevented Kuwait from supplying greater quantities. According to Altanmia's Waleed Al-Humaidhi, one of the major obstacles they have faced thus far has been KBR's inability to determine the actual need, which prevents Altanmia from planning to fill it. He also noted that the turnaround time for trucks in Iraq was very inefficient, with trucks waiting for days for convoys to return to Kuwait. He asserted that security was the main bottleneck.

3. (C) At the December 1 meeting, McKee informed Altanmia that he had been successful in reducing some of the logistical impediments (including securing a commitment to run more convoys each day). He also indicated that the USG would like to take advantage of Kuwait's spare capacity to supply Iraq with a greater volume of fuel. McKee said that Iraq was facing a crisis as winter approached and stocks dwindled to 2-5 days' worth of fuel. However, neither McKee nor Cox provided the Kuwaitis with specific information about the quantity or types of fuel that they were seeking. Cox said that he hoped to have this information by December 5.

4. (C) Altanmia told Cox and McKee that ramping up to provide additional fuel would not be a problem. Al-Humaidhi specified the following volumes available for each product:

-- Kerosene: Kuwait can load 1.7 million liters/day of kerosene within 72 hours. Supply can be further increased if the US military allows Altanmia to use two pipelines that run through air bases used by the US. These pipelines are currently being used by the US military at only 25-30% capacity. If the US military agrees, KPC will pay to install gauges and meters, and establish separate filling pumps for Altanmia. Alternatively, Al-Humaidhi proposed that the US military could use the line at Ali al-Salem airbase, with Altanmia using the other at Ahmed al-Jaber airbase, currently not in use by the US. Cox said he would ask the military if Altanmia can use the 75% of capacity that is going unused.

-- Mogas (aka benzene, aka gasoline): Altanmia can provide up to 9 million liters/day of mogas, but not immediately. Although there are sufficient vehicles to transport the fuel, there is insufficient local storage space that could be used

if production outpaces deliveries. Altanmia can lift up to 4 million liters/day of benzene with no additional investment. With investments in containment vessels, Kuwait can increase benzene supplies to 9 million liters/day (Kuwait lifted up to 15 million liters/day during the Iran-Iraq war).

-- Diesel: Altanmia can provide 1-1.5 million liters/day within 7-10 days (with some modifications needed, similar to those for kerosene deliveries). They can ramp up to 4 million liters/day within 2-3 weeks.

15. (C) Altanmia officials stressed that they need a clearer idea of Iraq's longer term fuel needs. They asked whether Kuwait would simply be surging to meet shorter-term, seasonal supply shortfalls, or if the provision of humanitarian fuel supplies would be a longer, continuous operation. Al-Humaidhi underscored that the Kuwaitis are willing and able to do either. If the US says that only a surge in production is needed for the winter months, Kuwait can provide 5-7 million liters/day of mixed fuels within days, increasing to 9 million liters/day of mixed fuels within weeks. If, on the other hand, the US projects that there will be a longer-term need, Altanmia will make several investments at their own expense. Al-Humaidhi outlined Altanmia's tentative plans to revamp the abandoned Kazima loading depot, located near the Iraqi border. The depot would be linked by pipeline to large-capacity storage barges offshore, which would solve the containment dilemma that Kuwait would face at higher production levels. Al-Humaidhi said that the Prime Minister has indicated that fast-tracking approval of the Kazima renovation project within 48 hours could possibly be undertaken on an emergency basis, with further discussion. The renovation can be completed within 45-60 days using local contractors, or less with US military support. Al-Humaidhi reiterated that Altanmia would make these investments at no/no cost to the US, and with no need for a US commitment on quantities of fuel to be delivered to Iraq. However, Altanmia will not undertake such a large financial commitment if Iraq only needs increased fuel supplies for this winter. Again, Al-Humaidhi emphasized that they simply need a clearer picture of what quantities and types of fuels are needed, so that they may make the necessary logistical arrangements. He noted that the Government of Kuwait supports the US operation in Iraq "110 percent." GOK officials are perplexed that despite the GOK's willingness to do whatever it takes to get supplies into Iraq, the US continues to ignore this Kuwaiti offer, while purchasing fuel supplies from non-producing countries such as Jordan and Turkey.

16. (C) COMMENT. It is clear from both meetings that Altanmia is under firm orders from the highest levels of the GOK to provide Iraq with whatever fuel it needs. Although the volumes and time lines for provision of the several fuels shift slightly from one scenario to another, the intent is clear. The overriding goal of the GOK is to ensure that there is no hydrocarbon shortage in Iraq, and the GOK believes Kuwait is best positioned to ease Iraq's fuel crisis. However, Altanmia needs to know what quantities of each type of fuel are needed, and for how long. Altanmia has already demonstrated its determination to make this work -- for example, Altanmia has absorbed penalties levied by the Kuwait Petroleum Corporation when KBR did not order the quantities of fuel it had indicated it would. But it is imperative that CPA provide the Kuwaitis with a clear outline of quantities and types of fuel that Iraq needs, and an estimate of how long Iraq will require fuel exported from Kuwaiti, so that the Kuwaitis can increase fuel deliveries. END COMMENT.

17. (U) Mr. McKee did not clear this cable.

18. (U) Baghdad minimize considered.
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